

Fairfax County Economic Index

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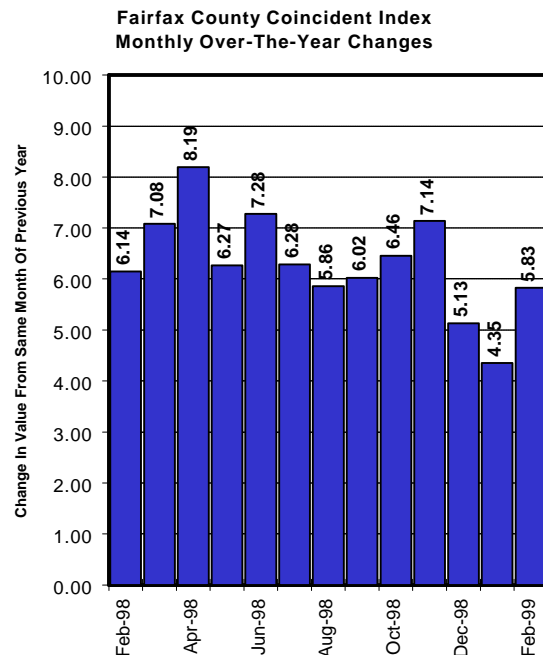
APRIL 1999

Economy Continues To Expand Some Moderation Likely By Year's End

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, was 120.6 in February, for a gain of 0.63 percent. This increase was the second monthly gain in a row and the sixth in the past seven months. For the twelve months ending in February, the Index has increased 5.1 percent and now stands at its all time peak value. Three of the Index's four components contributed to its increase in February.

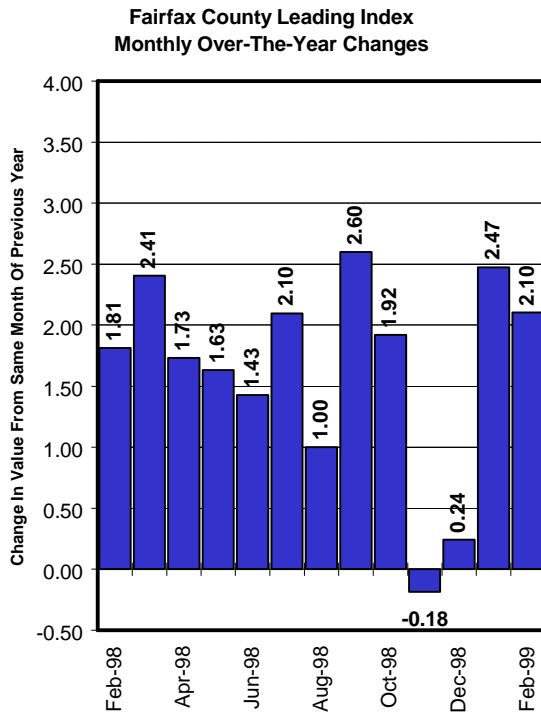
- Total employment increased for the second consecutive month and for the seventh time in the past nine months;
- Transient Occupancy Tax collections, adjusted for inflation and seasonal variation, were up sharply in February reversing January's decline; and
- Consumer confidence registered a strong gain after slipping in December and January; but
- Sales tax receipts, on a seasonally and inflation adjusted basis, were down for the second time in three months.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance,



Source: GMU Center for Regional Analysis.

declined in February dropping to 106.0, for a decrease of 0.52 percent. This decrease follows two strong monthly gains in the Index which continues to track well ahead of its historic twelve-month moving average. For the past year, the Leading Index has increased 2.0 percent suggesting that the County's economy will continue expansion through at least year's end. In February, three of the Index's



Source: GMU Center for Regional Analysis.

five components contributed to its decline.

- New automobile registrations declined for a second month in February;
- Residential building permits experienced their largest monthly decline over the past twelve months following their largest increase over this period in January; and
- The total value of residential building permits declined after increasing in four of the five previous months; while
- Initial claims for unemployment insurance decreased (improved) for the third consecutive month; and
- Consumer expectations increased for the second month in a row.

The Fairfax County economy's expansion is now

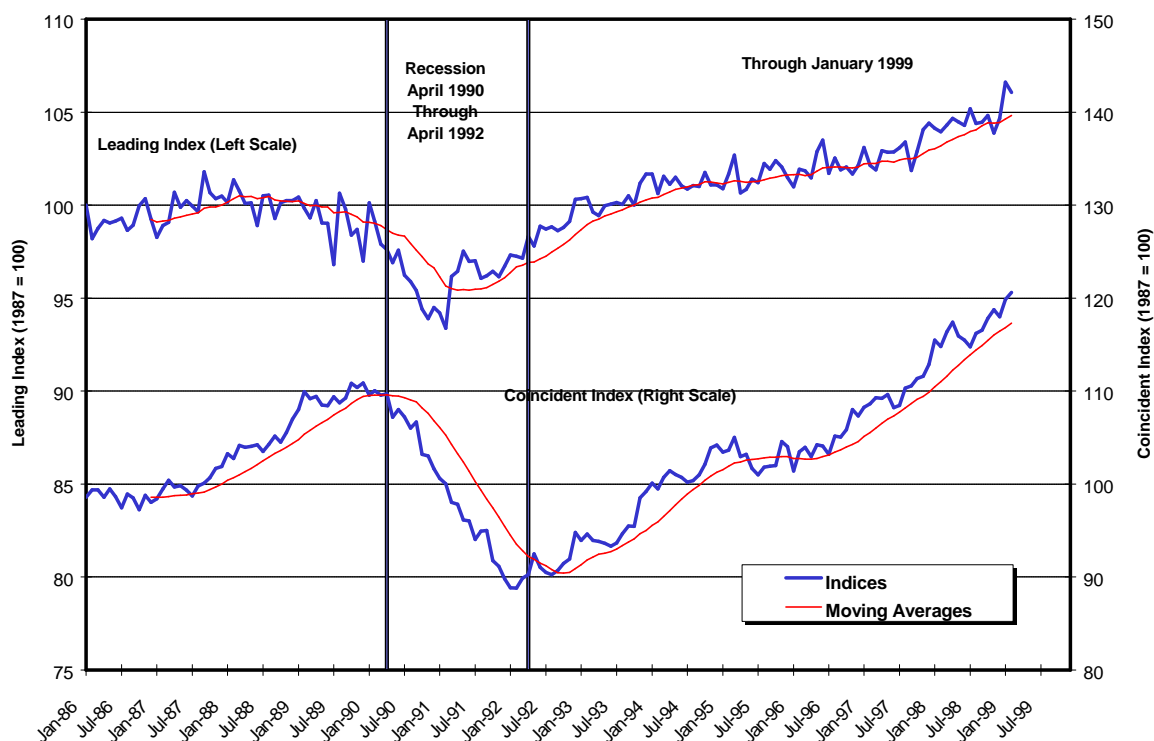
82 months long and has accelerated significantly since mid-1996 with the Coincident Index increasing 16.8 percent over the past 30 months. The County's strong performance in 1998 has carried into the first quarter of 1999 and the leading indicators suggest that this expansion will continue over the near-term future.

CURRENT CONDITIONS

Employment growth in Fairfax County over the February 1998-February 1999 period was 5.1 percent with the addition of 24,587 new jobs. This is one of the largest twelve-month gains of the decade and underscores the substantial strength underlying the County's economic performance. This broad-based economic strength is also evident across the Washington metropolitan area with February's monthly over-the-year employment gain totaling 81,800 jobs or 3.3 percent. Employment growth in the metropolitan area so far in 1999 is running well ahead of 1998's rate of 2.7 percent. Fairfax County's contribution to the continuing acceleration in area-wide job growth is seen in its disproportionately high 30 percent share of February's monthly over-the-year gain. In comparison, Fairfax County accounted for 19 percent of the region's wage and salary employment in February.

Recently released federal procurement data for 1998 provide further insight regarding the sources of the County's strong economic performance. Firms in Northern Virginia continued to dominate the region's federal procurement dollars, receiving contract awards totaling \$13.7 billion and accounting for 53.7 percent of the metropolitan total. Federal procurement spending in Northern Virginia increased 12.7 percent from 1997. In Fairfax County (excluding Fairfax City and Falls Church), federal procurement contracting totaled \$6.8 billion in 1998, a gain of 19.5 percent from 1997. This increase of \$1.1 billion in federal procurement spending in the County translates into to approximately 9,150 new jobs. This spending has and continues to have an important impact on the County's economic growth.

Business Cycle Indicators -- Fairfax County, Virginia



Source: GMU Center for Regional Analysis.

Also important is consumer spending. Monthly over-the-year sales of new automobiles were up 24.4 percent in the County and retail sales, adjusted for inflation and seasonal variation, overall were up 20.9 percent. These annual gains have helped to support growth in the retail sector which accounts for approximately 18 percent of the County's job base. Consumer spending is also driving the residential market, as reflected in the 32.6 percent increase in residential building permits over the last 12 months. With consumer confidence having gained back its losses following the sell off in the stock market last summer and consumer expectations (consumer confidence six months hence) also regaining its historic peak, consumers appear predisposed to continued spending for "big ticket" purchases as well as other shoppers goods.

NEAR-TERM OUTLOOK

The combination of continuing strong consumer spending and accelerating job growth will

support further growth in the Fairfax County economy. Countering this growth potential is the tight labor market, with unemployment at 1.5 percent and labor force growth down to 0.6 percent growth. Supporting the current job growth rate of 5 percent will be a challenge going forward under these labor market conditions.

While the Leading Index has experienced periodic one-month declines and dropped below the historic trend in November for the first time since March 1997, it continues pointing to future growth in the Coincident Index. The pattern of performance among the leading indicators suggests that the County's economy could soften during the summer and into the third quarter with some re-acceleration likely in the fourth quarter. This pattern largely reflects seasonal factors. The fundamentals underpinning the County's economy remain sound and the outlook appears excellent for the expansion to carry into 2000.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Feb-99 Prelim.	Jan-99 Final	Feb-98 Final	Jan-99 to Feb-99	Feb-98 to Feb-99
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	120.61	119.86	114.78	0.63	5.08
Leading Index (1987 = 100)	106.06	106.61	103.96	-0.52	2.02
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	496,758	491,769	472,171	1.01	5.21
<i>Total Covered Employment (Unadjusted)</i>	<i>490,479</i>	<i>486,532</i>	<i>466,203</i>	<i>0.81</i>	<i>5.21</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	369	326	347	13.03	6.24
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>467</i>	<i>420</i>	<i>427</i>	<i>11.26</i>	<i>9.25</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,234	9,701	5,985	-25.43	20.88
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>8,899</i>	<i>9,932</i>	<i>7,448</i>	<i>-10.40</i>	<i>19.48</i>
South Atlantic Consumer Confidence	183	174	170	5.29	7.52
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	6,033	5,877	4,848	2.64	24.42
<i>Automobile Registrations (Unadjusted)</i>	<i>4,840</i>	<i>4,943</i>	<i>3,890</i>	<i>-2.08</i>	<i>24.42</i>
Initial Unemployment Claims (Seasonally Adjusted)	621	647	757	-4.01	-17.93
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>673</i>	<i>912</i>	<i>820</i>	<i>-26.21</i>	<i>-17.93</i>
South Atlantic Consumer Expectations	115.3	107.2	117.8	7.56	-2.12
Residential Building Permits (Number of Units, Seasonally Adjusted)	790	1,396	596	-43.44	32.62
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>679</i>	<i>1,027</i>	<i>512</i>	<i>-33.89</i>	<i>32.62</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	47,306	56,792	36,995	-16.70	27.87
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>55,134</i>	<i>58,006</i>	<i>41,929</i>	<i>-4.95</i>	<i>31.49</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	544,194	548,174	537,790	-0.73	1.19
<i>Total Labor Force (Unadjusted)</i>	<i>547,622</i>	<i>544,479</i>	<i>534,423</i>	<i>0.58</i>	<i>2.47</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.60	1.67	1.88	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.40</i>	<i>1.57</i>	<i>1.68</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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